



ANGELINA & NECHES RIVER AUTHORITY

December 17, 2013

Please accept, with our compliments, the Annual Financial Report for FY 2013 of the Angelina & Neches River Authority (ANRA). This Annual Financial Report was audited by the firm of Jansen and Gregorczyk and approved by the Angelina & Neches River Authority Board of Directors on December 16, 2013.

If you have any questions regarding this report or any other issue, please contact either myself or General Manager Kelley Holcomb. The contact information is listed below for your convenience.

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Respectfully,

Dyan Stanford
Office Manager

**ANNUAL FINANCIAL REPORT
OF
ANGELINA & NECHES
RIVER AUTHORITY**

*For the Years Ended
August 31, 2013 and 2012*

ANGELINA & NECHES RIVER AUTHORITY
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JANSEN AND GREGORCZYK

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Angelina & Neches River Authority
Lufkin, Texas

We have audited the accompanying financial statements of the Angelina & Neches River Authority (the "Authority") of Lufkin, Texas, as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Angelina & Neches River Authority as of August 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Jansen and Gregorczyk

Kyle, Texas
December 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2013 and 2012

Our discussion and analysis of the Angelina & Neches River Authority (the Authority) financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2013 and 2012. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) basic financial statements, (3) notes to the financial statements, (4) budget comparison and (5) supplemental schedules. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the Authority had operating expenses of \$2,019,974 compared to total non-operating expenses of \$276,557 and operating revenues of \$2,351,521 and non-operating revenues of \$18,020, resulting in a combined increase in net assets of \$73,010 for the year ended August 31, 2013.
- The Authority's total cash and investments decreased \$51,504 from the previous year.

Explanation of the Financial Statements

The MD&A is intended to serve as an introduction to the basic financial statements of the Authority. The basic financial statements are comprised of two components: 1) basic financial statements, and 2) notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements and additional supplemental schedules.

Basic Financial Statements

The basic financial statements include the Statements of Net Assets, the Statements of Revenue, Expenses and Changes in Net Assets, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Assets report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Assets report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

The Authority, as of August 31, 2013 has five funds – ANRA Operations, Holmwood Utilities, Lake Columbia Preconstruction, Neches Compost Facility and North Angelina County Regional Wastewater Facility. All of these funds together comprise the Basic Financial Statements and none of the funds independently depend on governmental funds as a major source of revenue. Therefore, all of the funds are presented in a combined financial statement. The supplement schedules portion of the report includes a Statement of Net Assets, Statement of Revenue, Expenses and changes in Net Assets and Statement of Cash Flow by fund.

The Authority as a Whole

The Authority's net assets increased by \$73,010 in the year ended August 31, 2013. Table 1 and Table 2 below reflect the net assets and changes in net assets of the Authority.

Table 1

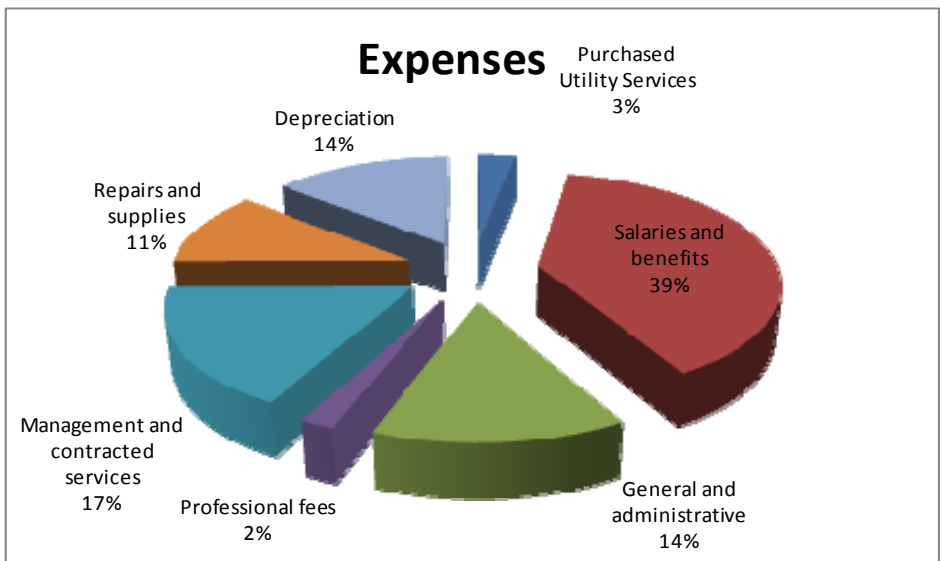
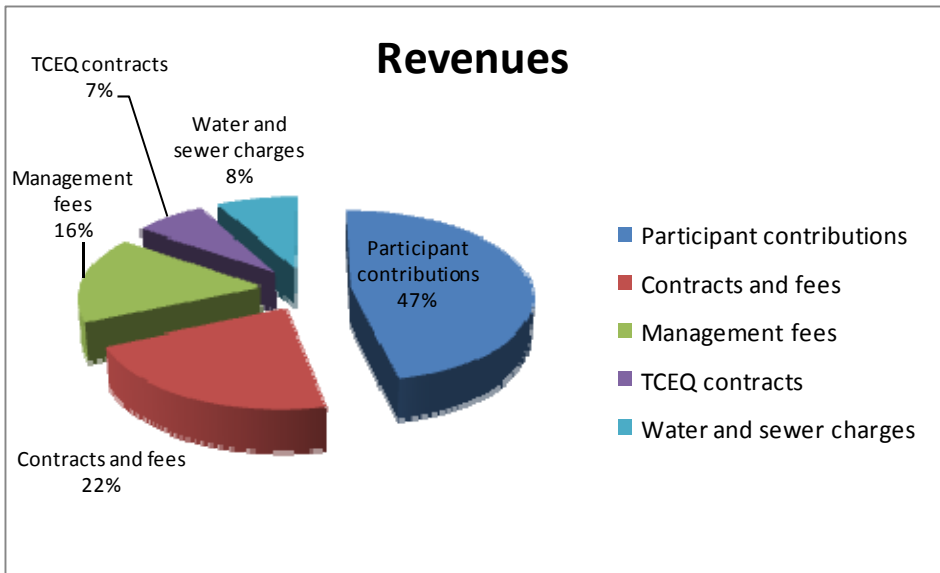
CONDENSED STATEMENT OF NET ASSETS

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 886,514	\$ 971,763
Capital assets, net	<u>9,334,654</u>	<u>9,207,578</u>
Total Assets	<u>10,221,168</u>	<u>10,179,341</u>
Long-term liabilities	6,160,001	6,247,335
Other liabilities	<u>518,240</u>	<u>462,090</u>
Total Liabilities	<u>6,678,241</u>	<u>6,709,425</u>
Net assets:		
Invested in capital assets, net of related debt	2,847,538	2,666,040
Restricted	197,623	454,159
Unrestricted	<u>497,765</u>	<u>349,718</u>
Total Net Assets	<u>\$ 3,542,927</u>	<u>\$ 3,469,917</u>

Table 2

CONDENSED STATEMENT OF ACTIVITIES

	<u>2013</u>	<u>2012</u>
Revenues:		
Charges for services	\$ 2,351,521	\$ 2,416,922
Operating grants	-	-
General revenues:		
Investment income	520	1,107
Other	<u>17,500</u>	<u>-</u>
Total Revenues	<u>2,369,541</u>	<u>2,418,029</u>
Expenses:		
General services	981,888	1,095,837
Holmwood Utility	178,828	197,430
Lake Columbia	112,024	106,667
North Angelina County	440,841	446,483
Neches Composting	<u>582,950</u>	<u>573,995</u>
Total Expenses	<u>2,296,531</u>	<u>2,420,412</u>
Change in Net Assets	73,010	(2,383)
Beginning net assets:	<u>3,469,917</u>	<u>3,472,300</u>
Ending Net Assets	<u>\$ 3,542,927</u>	<u>\$ 3,469,917</u>



The Authority has sufficient revenues to pay expenses of the Authority.

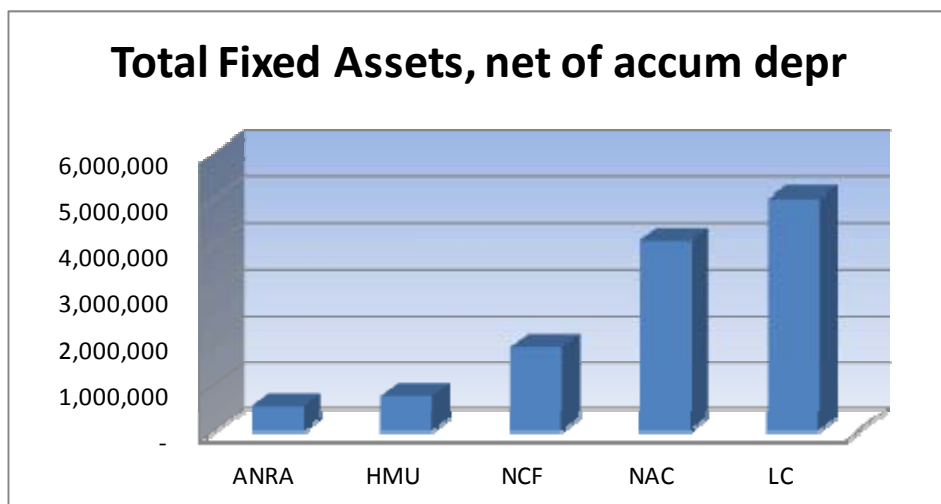
Budgetary Highlights

The Board of Directors did make changes to the budget during the year. The analysis of the budget is reflected on the Budgetary Comparison Schedule following the Notes to the Financial Statement

Capital Asset and Debt Administration

Capital Assets

Net capital assets increased from \$9,207,579 to \$9,334,654, an increase of \$127,075. The increase is primarily the result of the additions to the treatment facilities of \$263,257 and machinery and equipment of \$170,045. There were also retirements of \$81,714. Construction work in progress was \$20,779 at August 31, 2013.



A portion of the Authority's net assets, 80.36%, reflects its investments in capital asset (land, water and sewer system), less any debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is important to note that the funds needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to eliminate these liabilities.

Long-term Debt

The Authority's long-term debt at August 31, 2013, net of the current portion, totaled \$6,487,116 for leases payable and revenue bonds. The current portion of the long-term debt was \$354,411. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt had a net decrease of \$54,423 during the period. Detailed information is included in the Notes to the Financial Statements.

Economic Factors and Next Years Budgets

The Authority continues to seek and apply for grants to assist in research, development and planning for their facilities.

Contacting the Authority's Financial Management

This financial report is designed to provide the legislators, state officials, customers, bond holders and citizens of the State of Texas and other interested parties with a general overview of the Authority's finances and to show the

Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Management office at:

Mr. Kelley Holcomb, General Manager (936)633-7543

ANGELINA & NECHES RIVER AUTHORITY

Statement of Net Position

August 31, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 485,989	\$ 280,957
Restricted cash and cash equivalents	197,623	454,159
Accounts receivable	202,902	236,647
Total Current Assets	<u>886,514</u>	<u>971,763</u>
Noncurrent Assets		
Capital assets:		
Land	483,790	483,790
Construction work in progress	5,037,722	5,057,275
Treatment Facilities	5,403,199	5,170,948
Machinery and equipment	1,337,046	1,217,709
Less: accumulated depreciation	<u>(2,927,103)</u>	<u>(2,722,143)</u>
Total Noncurrent Assets	<u>9,334,654</u>	<u>9,207,579</u>
Total Assets	<u>\$ 10,221,168</u>	<u>\$ 10,179,342</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 108,004	\$ 118,523
Accrued Interest Payable	55,825	26,527
Line of credit	57,550	28,548
Bonds and leases payable	<u>296,861</u>	<u>288,492</u>
Total Current Liabilities	<u>518,240</u>	<u>462,090</u>
Noncurrent liabilities		
Deferred Interest	477,067	427,519
Compensated absences	27,296	22,836
Bonds and leases payable	<u>5,655,638</u>	<u>5,796,980</u>
Total Noncurrent Liabilities	<u>6,160,001</u>	<u>6,247,335</u>
Total Liabilities	<u>\$ 6,678,241</u>	<u>\$ 6,709,425</u>
<u>NET POSITION</u>		
Net Investment in capital assets, net of related debt	\$ 2,847,538	\$ 2,666,040
Restricted for debt service	197,623	454,159
Unrestricted	<u>497,765</u>	<u>349,718</u>
Total Net Position	<u>\$ 3,542,927</u>	<u>\$ 3,469,917</u>

The accompanying notes are an integral part of the financial statements.

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended August 31, 2013 and 2012

	2013	2012
<u>OPERATING REVENUES</u>		
Participant contributions	\$ 1,095,988	\$ 1,104,795
Contracts and fees	509,873	564,938
Management fees	386,733	376,993
TCEQ contracts	168,826	180,338
Water and sewer charges	190,101	189,858
Total Operating Revenues	2,351,521	2,416,922
 <u>OPERATING EXPENSES</u>		
Purchased Utility Services	59,394	16,274
Salaries and benefits	785,438	835,347
General and administrative	283,816	171,155
Professional fees	38,147	48,357
Management and contracted services	347,092	408,244
Repairs and supplies	219,413	351,446
Depreciation	286,674	285,602
Total Operating Expenses	\$ 2,019,974	2,116,425
Operating Income	\$ 331,547	\$ 300,497
 <u>Non Operating Revenues (Expenses)</u>		
Investment Income	\$ 520	1,107
Grant Income	-	-
Interest Expense	(276,557)	(303,987)
Miscellaneous Income	17,500	-
Net Nonoperating Revenues (Expense)	\$ (258,537)	\$ (302,880)
Change in Net Position	\$ 73,010	\$ (2,383)
Total Net Position, Beginning	3,469,917	3,472,300
Total Net Position, Ending	\$ 3,542,927	\$ 3,469,917

The accompanying notes are an integral part of the financial statements.

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2013 and 2012

	2013 TOTAL	2012 Total
	<u> </u>	<u> </u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,360,612	\$ 2,348,256
Other Income	-	-
Payments to suppliers	(933,690)	(1,063,788)
Payments to employees	(781,017)	(836,578)
Net cash provided/(used) operating activities	<u>645,905</u>	<u>447,890</u>
Cash flows from Capital and Related Financing Activities		
Purchase of capital assets	(413,748)	(357,788)
Debt proceeds	365,050	3,421,477
Accounts payable effecting capital assets	-	41,773
Interfund payables effecting capital assets	-	74,632
Proceeds for long term assets	-	-
Principal on long term debt	(419,472)	(3,413,417)
Interest on long term debt	(247,258)	(290,815)
Net cash provided/(used) by Capital and Related Fin. Activities	<u>(715,428)</u>	<u>(524,138)</u>
Cash flows from Investing Activities		
Interest from investments	520	672
Proceeds from sale of assets	2,500	-
Other Income	15,000	-
Net cash Provided by Investing Activities	<u>18,020</u>	<u>672</u>
Net increase (decrease) in Cash and Cash Equivalents	(51,503)	(75,576)
Beginning Cash and Cash Equivalents	735,115	810,691
Ending Cash and Cash Equivalents	<u>\$ 683,612</u>	<u>\$ 735,115</u>
Reconciliations of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 331,547	297,175
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	286,674	285,602
Changes in Assets and Liabilities:		
(Increase) decrease in:		
Accounts receivable	33,742	7,030
Due from other funds	(24,651)	(76,132)
Increase (decrease) in:		
Accounts payable	(10,478)	(65,612)
Accrued liabilities	4,420	(1,673)
Due to other funds	24,651	1,500
Net cash Provided by Operating Activities	<u>\$ 645,905</u>	<u>\$ 447,890</u>

The accompanying notes are an integral part of the financial statements.

ANGELINA & NECHES RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended August 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and accounting policies of the Authority are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

Reporting Entity:

The Authority (formerly the Sabine-Neches Conservation District and the Neches River Conservation District) was created as a governmental agency to construct, maintain, and operate, in the valley of the Neches River and its tributaries, all works essential to the control, storage, preservation, and distribution to all useful purposes of water in the Neches River - (Article 8280-108, Vernon's Texas Civil Statutes, amended in 1977 by an Act of the Legislature of the State of Texas). The Authority is governed by a nine-member board appointed by the Governor of Texas to six year terms. The Directors are residents of the Neches River basin and one third of the Board is appointed every two years. The board sets policy, provides oversight, and employs a General Manager.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of the counties in the Neches Basin. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

ANRAIDC was incorporated on August 6, 1979, under the provisions of the Development Corporation Act of 1979, Senate Bill 1275, as an instrumentality of the Angelina & Neches River Authority. ANRAIDC was organized to issue bonds on behalf of the Authority for the public purposes of promotion and development of commercial, industrial, and manufacturing enterprises and to promote and encourage employment and public welfare.

The Board of Directors of the Authority appoints the entire board of the ANRAIDC and may, for cause or at will, remove the Corporation's three-member governing board. The Board of Directors appointed by the Authority is comprised of two local IDC board members, and the General Manager of the Authority. Accordingly, the governing bodies of both entities are "substantially the same" providing the Authority sufficient representation to allow complete control of ANRAIDC. In addition, the Authority approves all specific transactions of ANRAIDC and has the authority to amend ANRAIDC's Articles of Incorporation, terminate, or dissolve the Corporation. ANRAIDC is reported as a component unit and presented as a governmental fund, since it is, in substance, the same as the primary government, despite being legally separate. ANRAIDC does not prepare separate financial statements as the only activity is conduit debt. See note 6 for additional information.

Fund Financial Statements:

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

Basis of Accounting

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, wastewater treatment services, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

Assets, Liabilities and Net Position

Cash and Cash Equivalents: Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

Investments: Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. All investments, financial disclosures, quarterly reporting, and annual adoption are compliant with Texas Government Code, Title 10, Chapter 2256 (the Public funds Investment Act).

Accounts Receivable: The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines, sewer lines, and storm sewer), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest costs incurred in connection with the construction of governmental fund capital assets are not capitalized when the effects of capitalization

materially impact the financial statements due to the uncertainty of the Lake Columbia project. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life – Years</u>
Vehicles	5 years
Equipment	20 years
Utility Plant	20-30 years

Restricted Assets: The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

Sick Leave and Vacation: The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

Reclassifications: Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

Subsequent Events: The Authority has evaluated subsequent events as of December 4, 2013, the date the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Authority prepares a budget in accordance with The Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. The budget is adopted on a basis consistent with generally accepted accounting principles. The General Manager is authorized by the Board to transfer budgeted amounts between accounts, but any revisions that alter the total expenditures must be approved by the Board. Appropriate sections of the budget are approved by Neches Compost Facility Management Committee, which has limited authority, prior to final approval of the Authority Board of Directors.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Investment Policies: Applicable state laws and regulations allow the Authority to invest its funds in direct or indirect obligations of the United States, the state, or any county, city, school district, or other political subdivision of the state. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the state. Related state statutes and provisions included in the Authority's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

Custodial Credit Risk – Deposits: In the case of deposits, there is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2013, all of the Authority's \$683,612 deposit balance was collateralized with securities held by the pledging financial institution.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2013, was as follows:

	Balance <u>8/31/2012</u>	Additions	Retirements	Balance <u>8/31/2013</u>
Capital assets not being depreciated:				
Land	\$ 483,790	\$ -	\$ -	\$ 483,790
Construction Work in Progress	<u>5,057,275</u>	<u>20,779</u>	<u>40,332</u>	<u>5,037,722</u>
Total capital assets not being depreciated	5,541,065	20,779	40,332	5,521,512
Other capital assets:				
Treatment Facilities	5,170,948	263,257	31,006	5,403,199
Machinery and equipment	<u>1,217,709</u>	<u>170,045</u>	<u>50,708</u>	<u>1,337,046</u>
Total other capital assets	<u>6,388,657</u>	<u>433,302</u>	<u>81,714</u>	<u>6,740,245</u>
Less accumulated depreciation	<u>(2,722,143)</u>	<u>(286,674)</u>	<u>81,714</u>	<u>(2,927,103)</u>
TOTALS	<u>\$ 9,207,579</u>	<u>\$ 167,407</u>	<u>\$ 203,760</u>	<u>\$ 9,334,654</u>

NOTE 4 – COMPENSATED EMPLOYEE ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees with more than fifteen years of employment with ANRA are allowed to receive payment for sick leave benefits at a rate of ½ half of the accrued value upon retirement. Accumulations of sick pay benefits are not paid to employees after termination of employment. Only amounts of vacation accumulated may be paid to employees upon termination of employment or during employment in accordance with the Authority's personnel policy. The estimated amount of compensation for accrued unused vacation leave benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of each respective governmental fund. The total liability as of August 31, 2013 is \$27,296.

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the Authority’s long-term liabilities for the year ended August 31, 2013:

Fund	Balance 8/31/12	Additions	Retirements	Balance 8/31/13	Due w/in 1 year	L/T Liab Balance
ANRA	\$ 89,365	\$ 133,339	\$ (63,426)	\$ 159,278	\$ 73,563	\$ 85,715
Neches Compost	285,655	101,358	(40,242)	346,771	45,848	300,923
	375,020	234,697	(103,668)	506,049	119,411	386,638
Revenue Bonds						
Holmwood	510,000	-	(25,000)	485,000	25,000	460,000
Lake Columbia	230,000	-	-	230,000	-	230,000
Deferred Int	65,900	1,984	-	67,884	-	67,884
Lake Columbia	734,000	-	-	734,000	-	734,000
Deferred Int	101,659	40,664	-	142,323	-	142,323
Lake Columbia	800,000	-	-	800,000	-	800,000
Deferred Int	259,960	6,900	-	266,860	-	266,860
No Angelina Co	2,870,000	-	(150,000)	2,720,000	150,000	2,570,000
Neches Compost	595,000	-	(60,000)	535,000	60,000	475,000
	6,166,519	49,548	(235,000)	5,981,067	235,000	5,746,067
Totals	\$ 6,541,539	\$ 284,245	\$ (338,668)	\$ 6,487,116	\$ 354,411	\$ 6,132,705

Future minimum lease payments under capital leases are as follows:

Year Ending		
August 31,		
2014	\$	36,590
2015		36,590
2016		36,590
2017		36,590
2018		34,898
Thereafter		<u>38,599</u>
Total minimum lease payments		219,857

The Authority's net investment in direct financing leases consists of the following:

Total minimum future lease payments		219,857
Executory costs and related profit		-
Minimum lease payments		<u>219,857</u>
Allowance for uncollectible payments		-
Net minimum lease payments		219,857
Estimated unguaranteed residual value of leased asset		-
Unearned income		(26,170)
Initial direct costs		<u>-</u>
Net investment in direct financing leases	\$	<u><u>193,687</u></u>

Description	Interest Rates	Balance at 8/31/2013
Revenue bonds series 2012 (Holmwood Utilities)	3.47%	\$ 485,000
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	297,884
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	1,066,860
Revenue bonds series 2005 (Lake Columbia)TWDB	5.40%	876,323
Revenue bonds series 2001 (North Angelina County)	4.15%-4.65%	2,720,000
Revenue bonds series 1998 (Neches Compost)	3.35%-4.6%	535,000
		<u>\$ 5,981,067</u>

Future payments are as follows:

Year Ending August 31	Bonds Payable			Total
	Principal	Interest	Deferred	
2014	240,000	193,324	-	433,324
2015	260,000	184,281	-	444,281
2016	265,000	174,498	-	439,498
2017	270,000	202,639	47,812	520,451
2018	280,000	192,372	47,812	520,184
2019-2023	1,315,000	822,764	239,060	2,376,824
2024-2028	1,365,000	363,282	-	1,728,282
2029-2033	335,000	186,320	-	521,320
2034-2038	440,000	79,729	-	519,729
2039-2043	-	-	-	-
2044-2048	734,000	711,613	731,945	2,177,558
	<u>\$ 5,504,000</u>	<u>\$ 3,110,820</u>	<u>\$ 1,066,629</u>	<u>\$ 9,681,449</u>

The Authority is obligated to maintain Interest and Sinking Fund accounts for all Texas Water Development Board bonds and is in compliance with those bond covenant mandates.

NOTE 6 – AGREEMENTS TO ISSUE INDUSTRIAL DEVELOPMENT AND POLLUTION CONTROL BONDS

The Authority and the ANRAIDC have issued Industrial Development bonds as a conduit for other entities. In conformity with the State of Texas Auditors’ report dated October 6, 1986 industrial development bonds are not on the balance sheet of the Authority but are being disclosed in the notes. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

Description	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2013
Temple-Inland Forest Products Waste Disposal Revenue Bonds, Series 1998	5/1/1998	5/1/2023	6.95%	\$ 7,200,000	\$ 3,450,000	\$ 3,750,000
Aspen Power LLC Environmental Facility Revenue Bonds, Series 2007A	5/10/2007	11/1/2029	variable	45,970,000	-	45,970,000
Aspen Power LLC Environmental Facility Revenue Bonds, Taxable Series 2007B	5/10/2007	11/1/2017	variable	4,130,000	-	4,130,000
				<u>\$ 57,300,000</u>	<u>\$ 3,450,000</u>	<u>\$ 53,850,000</u>

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

NOTE 8 – DEFINED CONTRIBUTION PLAN

Defined Contribution Pension Plan

The Authority provides pension benefits for all of its eligible employees through the Angelina & Neches River Authority Profit Sharing Plan (the “Plan”), a defined contribution plan. The effective date of the plan was September 1, 1992 and the Plan begins on September 1 and ends on August 31. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is a qualified pension plan under Section 401(a) of the Internal Revenue Code with First Bank & Trust of East Texas serving as the Plan Administrator.

The Plan provides that the Authority may make a contribution. The Authority contributed \$14,802 to the Plan for the year ended August 31, 2013. The Authority’s contributions will be allocated to the Profit Sharing Contribution Account of each eligible participant on behalf of which the contribution has been made. The Authority’s contributions for each employee (and investment earnings allocated to the employee’s account) are partially vested after two (2) years and fully vested after six (6) years of service. The Authority began monthly contributions to this fund of 3% of eligible employees’ salary in June 2000. The Authority’s contributions for investment earnings forfeited by employees who leave employment before six (6) years of service will be used first, when required, to restore forfeited account balances for reemployed participants and any remaining

amounts will be added to the employer's profit sharing contribution for the Plan Year in which the forfeiture occurred.

The total assets in the plan as of August 31, 2013 are \$126,213.

The asset allocation breakdown is as follows:

FUND	Percentage Invested	Fund Balance
Federated Government Obligations	6.01%	\$ 7,583
BMW Bank Utah CD	8.10%	10,220
Cit Bank Salt Lake City UT CD	7.99%	10,085
Discover Bank CD	4.04%	5,099
Goldman Sachs Bank CD	3.98%	5,025
Goldman Sachs BK CD	7.97%	10,063
Dodge & Cox Income FD	9.87%	4,883
Federated GNMA Tr	3.49%	4,399
USAA Short Term Bond Fund	2.26%	2,849
Vanguard BD Index Fd	1.68%	2,125
Vanguard Fixed Income	2.93%	3,695
Vanguard Fixed Income S/T Corp	0.59%	740
Vanguard Short Term Federal Fund #49	0.07%	84
Dodge & Cox Funds	0.60%	762
Fidelity Contrafund Inc	3.50%	4,422
Fidelity Mt Vernon Str	4.63%	5,840
Fidelity Puritan TR	4.62%	5,834
Meridian FD Inc.	2.53%	3,196
Rowe T Price Mid-Cap	2.65%	3,346
Vang Emerging Mkt Signal	1.75%	2,209
Vang Small Cap Gr	4.33%	5,461
Vang World Fd	1.82%	2,296
Vanguard Extended Market	5.94%	7,500
Vanguard 500 Index Fund	14.65%	18,497
TOTAL ALL FUNDS		<u>\$ 126,213</u>

Deferred Compensation Plan

The Authority maintains a deferred compensation plan, which is available to all employees. The plan complies with Section 457 of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments). ICMA RC is the independent administrator of the plan. The plan consists solely of employee contributions which are tax deferred. The total contributions to the plan during the year were \$5,755. Payments are made to Vantage Point Transfer Agents.

NOTE 9 – ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT # 1

The Authority serves as the manager and operator for Angelina County Fresh Water Supply District #1 (the “District”). As the manager and operator, the Authority bills and receives payments for all water and sewer charges of the District and deposits them into the bank account of the District. This bank account and receivables are assets of the District, a legally separate entity from ANRA. However, the Authority maintains the financial records of the District’s utility operations. In addition, the District has the sole responsibility for rate setting as it applies to the District.

The contract between the Authority and the District is in place for an initial term of ten years, with additional ten year renewal options up to a total of 100 years. During the term of the contract, the Authority has the sole and exclusive use, possession and control of the water and sewer system, and has the ability to use all revenues (except for taxes) arising from these systems.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority. No claim liabilities are reported at year end.

The Authority does not have any commitments with contractors.

NOTE 11 – CONCENTRATIONS

During the year the Authority sold 22.46% of sewer fees to Idlewood WC & ID, 21.60% to Department of Aging & Disability Services, 16.63% to City of Palestine and 14.82% to City of Athens.

Angelina & Neches River Authority
Schedule of Revenues, Expenditures and Changes
in Net Position - Budget vs Actual
August 31, 2013

	Budget		Variance
	Amount	Actual	Positive / (Negative)
<u>REVENUES</u>			
Investment Income	\$ 1,191	\$ 520	\$ (671)
Grant Income	-	-	-
Miscellaneous Income	287,184	17,500	(269,684)
Participant contributions	1,095,596	1,095,988	392
TWDB State Participation EIS	-	-	-
Contracts and fees	345,900	509,873	159,123
Management fees	386,726	386,733	7
TCEQ contracts	175,725	168,826	(6,899)
Water and sewer charges	350,750	190,101	(160,649)
Total Revenues	<u>2,643,072</u>	<u>2,369,540</u>	<u>(278,381)</u>
<u>EXPENDITURES</u>			
Purchased Utility Services	\$ 61,800	\$ 59,394	\$ (2,406)
Salaries and benefits	889,784	785,438	(104,346)
General and administrative	230,662	283,816	53,154
Professional fees	68,465	38,147	(30,318)
Management and contracted services	349,899	347,092	(2,807)
Repairs and supplies	407,004	219,413	(187,591)
Debt Service:	-	-	-
Principal	300,370	213,426	(86,944)
Interest Expense	202,136	276,557	74,421
Total Expenditures	<u>2,510,120</u>	<u>2,223,283</u>	<u>(286,837)</u>
Revenues Over(Under) Expenditures	\$ 132,952	\$ 146,257	\$ 8,456
<u>Other Uses of Funds</u>			
Capital Outlay	-	433,302	433,302
Change in Net Position	132,952	(287,045)	(424,846)
Beginning Net Position	<u>3,469,917</u>	<u>3,469,917</u>	<u>-</u>
Ending Fund Balance	<u>\$ 3,602,869</u>	<u>\$ 3,182,872</u>	<u>\$ (424,846)</u>
<u>Budget Basis</u>			
Depreciation		(286,673)	
Capital Outlay		433,302	
Principal Payments		213,426	
Changes in Net Position - GAAP Basis		<u>360,055</u>	
Net Position - GAAP Basis		<u>\$ 3,542,927</u>	

SUPPLEMENTAL SCHEDULES

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Position (by fund)
August 31, 2013 and 2012

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	Adjustment	Totals 2013	Totals 2012
Assets								
Current Assets								
Cash and cash equivalents	\$ 43,133	\$ 84,939	\$ 804	\$ 260,043	\$ 97,070		\$ 485,989	\$ 280,957
Restricted cash		-	-	51,534	146,089		197,623	454,159
Receivables, Net	81,137	19,017	-	58,983	43,765		202,902	236,647
Receivables, Interfunds	137,653	-	-	-	-	(137,653)	-	-
Total Current Assets	<u>261,923</u>	<u>103,956</u>	<u>804</u>	<u>370,560</u>	<u>286,924</u>	<u>(137,653)</u>	<u>886,514</u>	<u>971,763</u>
Noncurrent Assets								
Capital assets:								
Non-depreciable	-	1,483	5,029,726	44,952	437,355		5,513,516	5,080,879
Depreciable	231,073	449,383	-	765,115	2,375,567		3,821,138	4,126,699
Total Noncurrent Assets	<u>231,073</u>	<u>450,866</u>	<u>5,029,726</u>	<u>810,067</u>	<u>2,812,922</u>		<u>9,334,654</u>	<u>9,207,578</u>
Total Assets	<u>\$ 492,996</u>	<u>\$ 554,822</u>	<u>\$ 5,030,530</u>	<u>\$ 1,180,627</u>	<u>\$ 3,099,846</u>	<u>\$ (137,653)</u>	<u>\$ 10,221,168</u>	<u>\$ 10,179,341</u>
Liabilities								
Current Liabilities								
Accounts Payable	\$ 35,095	\$ 10,232	\$ 36,723	\$ 7,148	\$ 18,806	\$ -	\$ 108,004	\$ 118,523
Interfund Payables	-	7,720	105,535	12,507	11,891	(137,653)	-	-
Accrued Interest Payable	-	7,018	8,560	2,060	38,187	-	55,825	26,527
Line of Credit	57,550						57,550	28,548
Bonds and leases payable	16,013	25,000	-	105,847	150,000	-	296,860	288,492
Total Current Liabilities:	<u>108,658</u>	<u>49,970</u>	<u>150,818</u>	<u>127,562</u>	<u>218,884</u>	<u>(137,653)</u>	<u>518,239</u>	<u>462,090</u>
Noncurrent liabilities								
Deferred Revenue	-	-	-	-	-		-	-
Deferred Interest	-	-	477,067	-	-		477,067	427,519
Compensated absences	23,006	-	-	4,290	-		27,296	22,836
Bonds and leases payable	85,715	460,000	1,764,000	775,923	2,570,000		5,655,638	5,796,980
Total Noncurrent Liabilities	<u>108,721</u>	<u>460,000</u>	<u>2,241,067</u>	<u>780,213</u>	<u>2,570,000</u>	<u>-</u>	<u>6,160,001</u>	<u>6,247,335</u>
Total Liabilities	<u>\$ 217,379</u>	<u>\$ 509,970</u>	<u>\$ 2,391,885</u>	<u>\$ 907,775</u>	<u>\$ 2,788,884</u>	<u>\$ (137,653)</u>	<u>\$ 6,678,240</u>	<u>\$ 6,709,425</u>
Net Assets								
Invested in capital assets								
net of related debt	71,795	(34,134)	2,788,659	(71,703)	92,922	-	2,847,539	2,666,040
Restricted	-	-	-	51,534	146,089		197,623	454,159
Unrestricted	203,822	78,985	(150,014)	293,021	71,951	-	497,765	349,718
TOTAL NET ASSETS	<u>\$ 275,617</u>	<u>\$ 44,851</u>	<u>\$ 2,638,645</u>	<u>\$ 272,852</u>	<u>\$ 310,962</u>	<u>\$ -</u>	<u>\$ 3,542,927</u>	<u>\$ 3,469,917</u>

**Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2013 and 2012**

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	TOTALS 2013	TOTALS 2012
REVENUES							
Participant contributions	\$ -	\$ -	\$ 50,340	\$ 520,072	\$ 525,576	\$ 1,095,988	\$ 1,104,795
Contracts and fees	384,164	-	-	125,709	-	509,873	564,938
Management fees	386,733	-	-	-	-	386,733	376,993
TCEQ contracts	168,826	-	-	-	-	168,826	180,338
Water and sewer charges	-	190,101	-	-	-	190,101	189,858
Total Revenues	939,723	190,101	50,340	645,781	525,576	2,351,521	2,416,922
EXPENDITURES							
Purchased Utility Services	9,723	18,352	-	1,653	29,666	59,394	16,274
Salaries and benefits	643,992	-	-	141,446	-	785,438	835,347
General and administrative	96,401	7,837	2,101	153,252	24,225	283,816	171,155
Professional fees	30,995	-	5,100	232	1,820	38,147	48,357
Management and contracted services	69,688	72,208	-	88,978	116,218	347,092	408,244
Repairs and supplies	100,571	31,916	-	44,058	42,868	219,413	351,446
Depreciation	24,036	29,688	-	101,503	131,447	286,674	285,602
Total Operating Expenses	975,406	160,001	7,201	531,122	346,244	2,019,974	2,116,425
Net Operating Income	\$ (35,683)	\$ 30,100	\$ 43,139	\$ 114,659	\$ 179,332	\$ 331,547	\$ 300,497
Non Operating Revenues (Expenses)							
Investment Income	154	8	-	287	71	520	1,107
Grant Income	-	-	-	-	-	-	-
Interest Expense	(6,482)	(18,827)	(104,823)	(51,828)	(94,597)	(276,557)	(303,987)
Miscellaneous Income	2,500	-	15,000	-	-	17,500	-
Net NonOperating Income (Expense)	\$ (3,828)	\$ (18,819)	\$ (89,823)	\$ (51,541)	\$ (94,526)	\$ (258,537)	\$ (302,880)
Change in Net Position	\$ (39,511)	\$ 11,281	\$ (46,684)	\$ 63,118	\$ 84,806	\$ 73,010	\$ (2,383)
Total Net Assets Position, Beginning	315,127	33,570	2,685,328	209,734	226,155	3,469,917	3,472,300
Total Net Position, Ending	\$ 275,616	\$ 44,851	\$ 2,638,644	\$ 272,852	\$ 310,961	\$ 3,542,927	\$ 3,469,917

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2013 and 2012

	ANRA <u>Operations</u>	Holmwood <u>Utilities</u>	Lake <u>Columbia</u>	Neches <u>Compost Facility</u>	North <u>Angelina County RWF</u>	2013 <u>TOTAL</u>	2012 <u>Total</u>
Cash Flows from Operating Activities							
Receipts from customers	\$ 935,924	\$ 191,044	\$ 50,340	\$ 655,006	\$ 528,298	\$ 2,360,612	\$ 2,348,256
Other Income	-	-	-	-	-	-	-
Payments to suppliers	(298,065)	(132,313)	(2,681)	(281,073)	(219,558)	(933,690)	(1,063,788)
Payments to employees	(639,818)	-	-	(141,199)	-	(781,017)	(836,578)
Net cash provided/(used) operating activities	(1,959)	58,731	47,659	232,734	308,740	645,905	447,890
Cash flows from Capital and Related Financing Activities							
Purchase of capital assets	(67,862)	0	(12,782)	(124,634)	(208,470)	(413,748)	(357,788)
Debt proceeds	130,730	-	49,549	184,771	-	365,050	3,421,477
Accounts payable effecting capital assets	-	-	-	-	-	-	41,773
Interfund payables effecting capital assets	-	-	-	-	-	-	74,632
Proceeds for long term assets	-	-	-	-	-	-	-
Principal on long term debt	(60,817)	(25,000)	-	(183,655)	(150,000)	(419,472)	(3,413,417)
Interest on long term debt	(6,482)	(14,121)	(99,794)	(49,768)	(77,093)	(247,258)	(290,815)
Net cash provided/(used) by Capital and Related Fin. Act.	(4,431)	(39,121)	(63,027)	(173,286)	(435,563)	(715,428)	(524,138)
Cash flows from Investing Activities							
Interest from investments	154	8	-	287	71	520	672
Proceeds from sale of assets	2,500	-	-	-	-	2,500	-
Other Income	-	-	15,000	-	-	15,000	-
Net cash Provided by Investing Activities	2,654	8	15,000	287	71	18,020	672
Net increase (decrease) in Cash and Cash Equivalents	(3,736)	19,618	(368)	59,735	(126,752)	(51,503)	(75,576)
Beginning Cash and Cash Equivalents	46,869	65,321	1,172	251,842	369,911	735,115	810,691
Ending Cash and Cash Equivalents	<u>\$ 43,133</u>	<u>\$ 84,939</u>	<u>\$ 804</u>	<u>\$ 311,577</u>	<u>\$ 243,159</u>	<u>\$ 683,612</u>	<u>\$ 735,115</u>
Reconciliations of Operating Income to Net Cash Provided by Operating Activities							
Operating income	\$ (35,683)	\$ 30,100	\$ 43,139	\$ 114,659	\$ 179,332	\$ 331,547	297,175
Adjustments to reconcile operating income to cash provided by operating activities:							
Depreciation	24,036	29,688	-	101,503	131,447	286,674	285,602
Changes in Assets and Liabilities:							
(Increase) decrease in:							
Accounts receivable	20,852	944	-	9,224	2,722	33,742	7,030
Due from other funds	(24,651)	-	-	-	-	(24,651)	(76,132)
Increase (decrease) in:							
Accounts payable	9,314	(1,974)	(17,260)	4,986	(5,544)	(10,478)	(65,612)
Accrued liabilities	4,173	-	-	247	-	4,420	(1,673)
Due to other funds	-	(27)	21,780	2,115	783	24,651	1,500
Net cash Provided by Operating Activities	<u>\$ (1,959)</u>	<u>\$ 58,731</u>	<u>\$ 47,659</u>	<u>\$ 232,734</u>	<u>\$ 308,740</u>	<u>\$ 645,905</u>	<u>\$ 447,890</u>

ANRA/Holmwood Utilities

TSI-1 SERVICES AND RATES

FY 2013

1. Services provided by the Utility during the Fiscal Year:

<u>X</u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u>X</u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. Retail Service Providers

a. Retail rates based on 3/4" meter

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	<u>\$42.81</u>	<u>3,000</u>	<u>N</u>	<u>\$1.92</u>	<u>3,001 to 10,000</u>
				<u>\$2.50</u>	<u>10,001 and up</u>
				<u>\$ -</u>	
				<u>\$ -</u>	
Waste Basic Service Fee	<u>\$43.52</u>	<u>3,000</u>	<u>N</u>	<u>\$3.44</u>	<u>3,001 to 7,000</u>
Utility employs winter averaging for wastewater usage?					Yes <u> </u> No <u>X</u>
Total water and sewer charges per 10,000 gallons usage (including surcharges)					<u>\$113.53</u>

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< 3/4"	<u>174</u>	<u>170</u>	<u>x 1.0</u>	<u>170</u>
1"	<u>5</u>	<u>5</u>	<u>x 2.5</u>	<u>13</u>
1 1/2"			<u>x 5.0</u>	
2"			<u>x 8.0</u>	
4"			<u>x 25.0</u>	
Total water	<u>179</u>	<u>175</u>		<u>183</u>
Total wastewater	<u>163</u>	<u>163</u>	<u>x 1.0</u>	<u>163</u>

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

3. Total Water Consumption During the Fiscal Year:

Gallons pumped into system:	13,567,710	Water Accountability Ratio:
Gallons flushed from system:	107,956	
Gallons billed to customers:	11,751,000	<u>87.4%</u>

4. Standby Fees:

Does the Utility have Debt Service standby fees? Yes No
 If yes, Date of the most recent Commission Order: _____

Does the Utility have Operation and Maintenance standby fees? Yes No
 If yes, Date of the most recent Commission Order: _____

5. Location of District:

County in which Utility is located: Jasper County
 Is the Utility located entirely within one county? Yes No
 Is the Utility located within a city? Entirely Partly Not at all
 City in which Utility is located: N/A
 Is the Utility located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all
 ETJs in which Utility is located: City of Jasper
 Are Board members appointed by an office outside the Utility?
 Yes No
 If yes, by whom? Governor

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 All Bonded Debt Series - by Years
 For the Year Ended August 31, 2013

Due During Fiscal Years Ending	Annual Requirements for All Series Bonds			Total Annual Requirements
	Principal Due	Interest Due	Deferred Interest	
2014	240,000	193,324		433,324
2015	260,000	184,281		444,281
2016	265,000	174,498		439,498
2017	270,000	202,639	47,812	520,451
2018	280,000	192,372	47,812	520,184
2019	250,000	182,971	47,812	480,783
2020	255,000	173,947	47,812	476,759
2021	260,000	164,755	47,812	472,567
2022	270,000	155,394	47,812	473,206
2023	280,000	145,697	47,812	473,509
2024	335,000	97,454	-	432,454
2025	310,000	84,428	-	394,428
2026	325,000	72,900	-	397,900
2027	340,000	60,636	-	400,636
2028	55,000	47,864	-	102,864
2029	65,000	44,713	-	109,713
2030	60,000	40,989	-	100,989
2031	70,000	37,551	-	107,551
2032	70,000	33,539	-	103,539
2033	70,000	29,528	-	99,528
2034	80,000	25,483	-	105,483
2035	80,000	20,859	-	100,859
2036	85,000	16,234	-	101,234
2037	95,000	11,322	-	106,322
2038	100,000	5,831	-	105,831
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	734,000	711,613	731,945	2,177,558
	<u>\$ 5,504,000</u>	<u>\$ 3,110,820</u>	<u>\$ 1,066,629</u>	<u>\$ 9,681,449</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2012 North Angelina County - Contract Revenue Refunding Bonds
 For the Year Ended August 31, 2013
 \$ 2,870,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
2014	155,000	91,648	246,648
2015	160,000	86,426	246,426
2016	165,000	81,034	246,034
2017	170,000	75,474	245,474
2018	175,000	69,746	244,746
2019	185,000	63,850	248,850
2020	190,000	57,617	247,617
2021	195,000	51,214	246,214
2022	205,000	44,644	249,644
2023	210,000	37,738	247,738
2024	215,000	30,662	245,662
2025	225,000	23,418	248,418
2026	230,000	15,836	245,836
2027	240,000	8,086	248,086
	<u>\$ 2,720,000</u>	<u>\$ 737,393</u>	<u>\$ 3,457,393</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 1998 Neches Compost Facility - Contract Revenue Bonds
 For the Year Ended August 31, 2013
 \$ 620,000

Due During Fiscal Years Ending	Principal Due 1-Feb	Interest Due Feb 1 and 1-Aug	Total Annual Requirements
2014	40,000	9,333	49,333
2015	45,000	7,430	52,430
2016	45,000	5,394	50,394
2017	45,000	3,335	48,335
2018	50,000	1,150	51,150
	<u>\$ 225,000</u>	<u>\$ 26,641</u>	<u>\$ 251,641</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2003-A Neches Compost Facility - Contract Revenue Bonds
 For the Year Ended August 31, 2013
 \$ 477,700

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
2014	20,000	16,275	36,275
2015	25,000	15,225	40,225
2016	25,000	13,913	38,913
2017	25,000	12,600	37,600
2018	25,000	11,288	36,288
2019	30,000	9,975	39,975
2020	30,000	8,400	38,400
2021	30,000	6,825	36,825
2022	30,000	5,250	35,250
2023	35,000	3,675	38,675
2024	35,000	1,838	36,838
	<u>\$ 310,000</u>	<u>\$ 105,263</u>	<u>\$ 415,263</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2012 Holmwood Water and Sewer System Revenue Refunding Bond
 For the Year Ended August 31, 201
 \$ 510,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
2014	25,000	16,844	41,844
2015	30,000	15,976	45,976
2016	30,000	14,934	44,934
2017	30,000	13,892	43,892
2018	30,000	12,850	42,850
2019	35,000	11,808	46,808
2020	35,000	10,592	45,592
2021	35,000	9,378	44,378
2022	35,000	8,162	43,162
2023	35,000	6,946	41,946
2024	40,000	5,730	45,730
2025	40,000	4,342	44,342
2026	40,000	2,952	42,952
2027	45,000	1,562	46,562
	<u>\$ 485,000</u>	<u>\$ 135,968</u>	<u>\$ 620,968</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2013
 \$ 800,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2014	-	46,000		46,000
2015	-	46,000		46,000
2016	-	46,000		46,000
2017	-	84,114	38,114	122,228
2018	-	84,114	38,114	122,228
2019	-	84,114	38,114	122,228
2020	-	84,114	38,114	122,228
2021	-	84,114	38,114	122,228
2022	-	84,114	38,114	122,228
2023	-	84,114	38,114	122,228
2024	35,000	46,000		81,000
2025	35,000	44,012		79,012
2026	40,000	42,024		82,024
2027	45,000	39,752		84,752
2028	40,000	37,196		77,196
2029	50,000	34,904		84,904
2030	45,000	32,039		77,039
2031	55,000	29,461		84,461
2032	55,000	26,309		81,309
2033	55,000	23,157		78,157
2034	65,000	19,979		84,979
2035	60,000	16,222		76,222
2036	70,000	12,753		82,753
2037	75,000	8,708		83,708
2038	75,000	4,373		79,373
	<u>\$ 800,000</u>	<u>\$ 1,143,687</u>	<u>\$ 266,798</u>	<u>\$ 2,210,485</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2013
 \$ 450,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2014	-	13,224		13,224
2015	-	13,224		13,224
2016	-	13,224		13,224
2017	-	13,224	9,698	22,922
2018	-	13,224	9,698	22,922
2019	-	13,224	9,698	22,922
2020	-	13,224	9,698	22,922
2021	-	13,224	9,698	22,922
2022	-	13,224	9,698	22,922
2023	-	13,224	9,698	22,922
2024	10,000	13,224		23,224
2025	10,000	12,656		22,656
2026	15,000	12,088		27,088
2027	10,000	11,236		21,236
2028	15,000	10,668		25,668
2029	15,000	9,809		24,809
2030	15,000	8,950		23,950
2031	15,000	8,090		23,090
2032	15,000	7,230		22,230
2033	15,000	6,371		21,371
2034	15,000	5,504		20,504
2035	20,000	4,637		24,637
2036	15,000	3,481		18,481
2037	20,000	2,614		22,614
2038	25,000	1,458		26,458
	<u>\$ 230,000</u>	<u>\$ 250,256</u>	<u>\$ 67,886</u>	<u>\$ 548,142</u>

**Cash/Investments
on Deposit**

**I & S Fund Requirements (TWDB Bonds/Regions Bank)
8/31/13**

8/31/13
Balance

Neches Compost Facility

Checking Account	38,193
CD - Reserve	25,672
CD - Reserve	<u>25,862</u>
Totals	<u>\$ 89,727</u>

NAC

Checking	<u>\$ 146,089</u>
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If the Texas Water Development Board (TWDB) serves as **revenue** bondholder for your entity, and the information requested here is not included in your annual audit, please complete and mail this worksheet to: Audit and Funds Management Division, TWDB, P.O Box 13231, Austin, Texas 78711-3231

ISSUER'S NAME: Angelina & Neches River Authority/Neches Compost Facility

FISCAL YEAR ENDING: August 31, 2013

The Required Ultimate Balances and the Required Present Balances shown below are per the current bond ordinances authorizing the **currently outstanding First Lien and Junior Lien Revenue Bonds**, respectively, in the fiscal year referenced above. The Actual Present Balances, which are maintained in separate accounts of the Issuer as per the bond covenants, appear as restricted cash and investments in the Issuer's audited financial statements for the fiscal year referenced above.

	INTEREST AND SINKING FUNDS	RESERVE FUNDS
FIRST LIEN BONDS		
REQUIRED ULTIMATE BALANCE	_____	\$ _____ -
REQUIRED PRESENT BALANCE (at FY end)	\$ 27,208.00	\$ _____ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 38,193.00	\$ _____ -
JUNIOR LIEN BONDS		
REQUIRED ULTIMATE BALANCE	_____	_____
REQUIRED PRESENT BALANCE (at FY end)	_____	_____
ACTUAL PRESENT BALANCE (at FY end)	_____	_____

The above is true and correct to the best of my knowledge _____
Preparer's signature Date

cc: Jansen and Gregorczyk
 Certified Public Accountant

Board of Directors

Jody Anderson, President

361 Red Loving Road
Lufkin, Texas 75901
Term Ends: 9-5-2013

David King, Vice President

183 Fernwood Drive
Nacogdoches, Texas 75964
Term Ends: 9-5-2013

Louis Bronaugh, Secretary Treasurer

710 Jefferson
Lufkin, Texas 75901
Term Ends: 9-5-2017

Jim Hughes Jr., Secretary Pro Tem

837 South Wheeler Street
Jasper, Texas 75951
Term Ends: 9-5-2015

Dominick B. (Nick) Bruno, Director

10280 FM 786 North
Jacksonville, Texas 75766
Term Ends: 9-5-2015

Al Chavira, Director

517 Gillespie Avenue
Jacksonville, Texas 75766
Term Ends: 9-5-2013

Patricia E. Dickey, Director

112 South 5th Street
Crockett, Texas 75835
Term Ends: 9-5-2017

Julie Dowell, Director

107 Lakeshore Drive
Bullard, Texas 75757
Term Ends: 9-5-2017

Keith Drewery, Director

902 SE Stallings Drive
Nacogdoches, Texas 75964
Term Ends: 9-5-2015

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[Executive Staff Mailing address is P.O. Box 387,
Lufkin Texas 75902-0387](#)

Angelina & Neches River Authority
Schedule of Insurance in Force
8/31/2013

Name of Company	Policy Number	Policy Period	Details of Coverage	Limits of Liability	Annual Premium
Texas Water Conservation Association	0042	7/1/13-7/1/14	Auto Liability	\$ 1,000,000	\$ 5,480
Texas Water Conservation Association	0042	7/1/13-7/1/14	General Liability	\$ 1,000,000	3,281
Texas Water Conservation Association	0042	7/1/13-7/1/14	Errors & Omissions	\$ 1,000,000	3,008
Texas Water Conservation Association	0042	7/1/13-7/1/14	Property Liability	\$ 6,562,827	13,039
Texas Water Conservation Association	0042	7/1/13-7/1/14	Auto Physical Damage	Scheduled	<u>7,466</u>
					<u>\$ 32,274</u>